

Oct 2016

AR -2.07% AG -2.49% TMG -2.96% SP500 -1.73% R2000 -4.60% GDP -1.85%

Commentary

October has a history of being a volatile month. Last year, investors benefited from a strong rally after the August/September bloodshed. This year, August and September were zeros for the S&P 500 and October was a down month pretty much across the board. Stocks and bonds both took hits. Q3 earnings season got underway with a mixed bag of positive and negative surprises. On top of that, investors spent the month trying to handicap the potential risks of the November elections and anticipating that the Fed will repeat a December rate hike. The only real winners were Latin America (ILF), Japan (DXJ), the US dollar (UUP) and financial stocks (XLF). Taking the worst hits were health care (XLV), real estate (IYR), US small cap stocks (IWM), metals/mining (XME) and long maturity US Treasury bonds (TLT) – all down more than 4% for the month. November is off to a bad start with election nerves producing a nine-day losing streak for the S&P 500 – the longest since 1980. Not good, but the loss has been only 3% versus a 5% loss in only two days from Brexit at the end of June.

The LongRun strategies all finished lower in October. Absolute Return (AR) was down 2.1%, with US small cap stocks (IWM) inflicting the most damage. Aggressive Growth (AG) gave back 2.5% for the same reason. Tax Managed Growth (TMG) lost 3%, hardest hit by healthcare (XLV), long-term Treasury bonds (TLT) and metals & mining (XME), a position that has alternated between hero and goat. VolStrat suffered a whipsaw month and a loss of 9.1% before moving to cash at the end of the month.

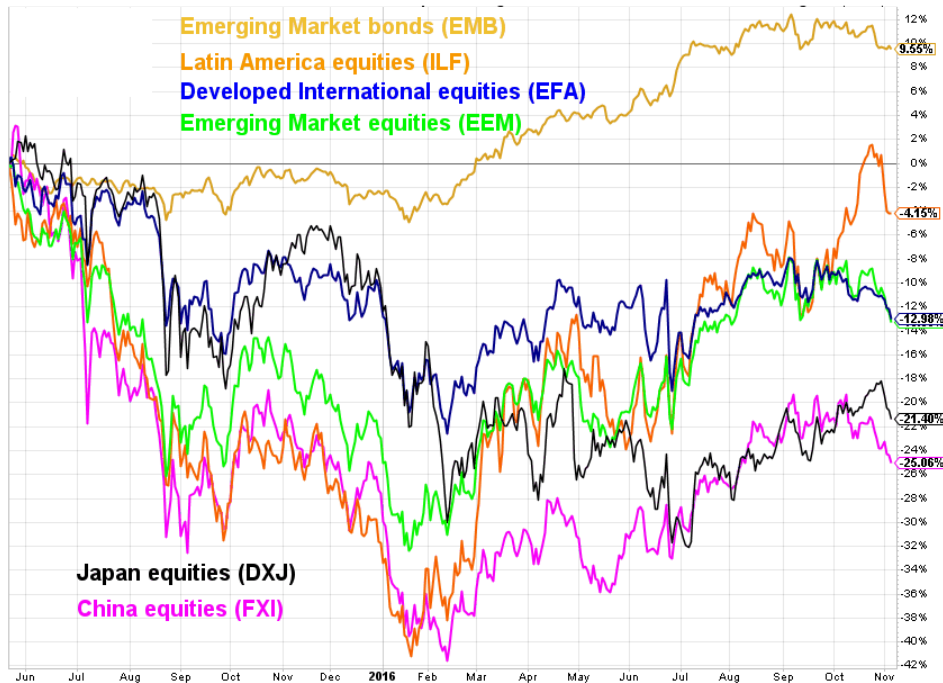
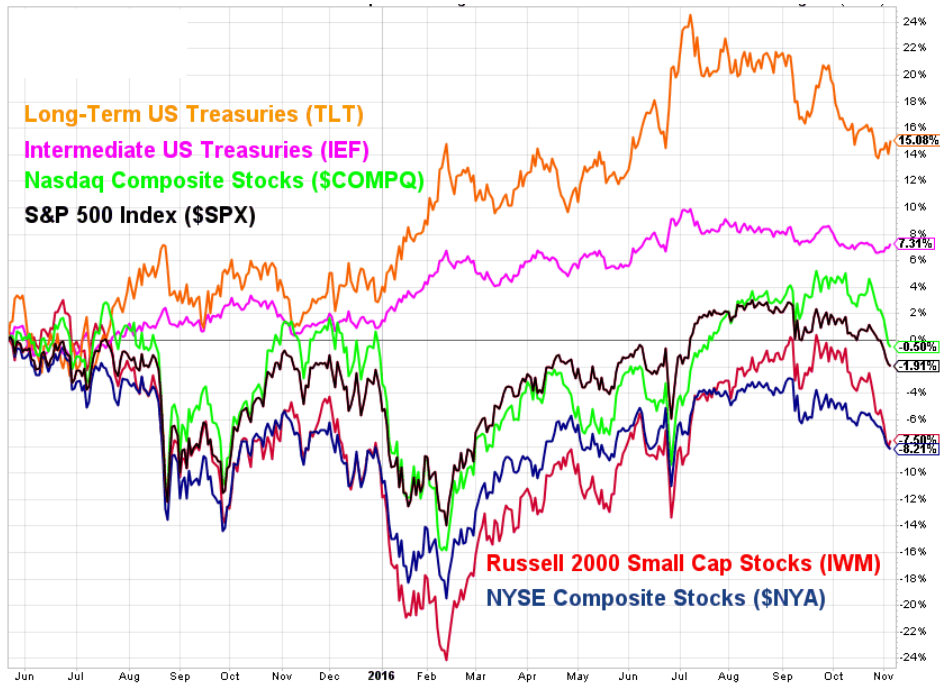
For November, AR is positioned with half its assets in bonds. It retained exposure to emerging market equities (EEM) and high yield bonds (HYG), adding emerging market bonds along with the energy sector (XLE). Aggressive Growth dropped Asia-Pacific (EPP) and US small caps in favor of Latin America (ILF) and energy. TMG dropped gold (GLD) and intermediate-term Treasuries (IEF) to add Technology (XLK) and Latin America (ILF).

Markets are obviously focused on Tuesday's elections and nobody knows what will happen. The VIX volatility index has moved higher nine days in a row (an all-time record) and is up more than 70% over that time. At 22.5, it's not at a panic level but clearly shows that investors are on edge. It's a fine mess we've put ourselves in. But as shown on the next page, we've actually been trading water in equity markets since the S&P 500 made a new all-time high in May of last year. Even if things calm down a bit after Tuesday, there are still two major events between here and yearend. The first is an Italian referendum on December 4th that has the potential to upset the relative calm Europe has been experiencing post-Brexit. Then we have the much-anticipated Fed announcement on December 14th. The betting line says they will raise interest rates and the retreat in the bond markets seems to be taking that into account. Even so, we need to remember what happened after they hiked the same time last year and the stock market did a swan dive the first week of January.

“We shall not grow wiser before we learn that much that we have done was very foolish.”
- Frederick Hayek, Austrian economist

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The S&P 500 made a new all-time high on May 15, 2015 – almost 18 months ago. Since then, as shown on the charts below, major US and international equity indices are at best near zero return and many have shown significant losses. Meager and highly volatile returns have been a major headwind for money managers. Meanwhile, Treasury bonds and emerging market debt have outperformed their equity counterparts but show signs of weakening as the Fed seems resolved to move interest rates higher.



LongRun Monthly Strategy Review



Oct 2016

AR -2.07% AG -2.49% TMG -2.96% SP500 -1.73% R2000 -4.60% GDP -1.85%

Selected Asset Class Returns for Trailing Twelve Months (%)

	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	YTD	TTM
US Equity														
SPY <i>S&P 500</i>	0.4	-1.7	-5.0	-0.1	6.7	0.4	1.7	0.4	3.7	0.1	0.0	-1.7	5.9	4.4
MDY <i>Mid Cap</i>	1.3	-4.2	-5.5	1.2	8.5	1.2	2.3	0.5	4.2	0.5	-0.6	-2.7	9.3	6.1
IWM <i>Small Cap</i>	3.3	-5.0	-8.6	-0.2	8.0	1.7	2.2	0.0	5.9	1.8	1.1	-4.6	6.4	4.3
QQQ <i>NASDAQ 100</i>	0.6	-1.6	-6.9	-1.6	6.9	-3.2	4.4	-2.3	7.2	1.1	2.2	-1.5	5.4	4.4
IYR <i>Real Estate</i>	-0.2	1.1	-4.1	-0.8	10.3	-1.7	2.2	6.2	3.7	-3.4	-1.5	-5.0	5.1	6.1
XLB <i>Materials</i>	1.0	-4.3	-10.7	7.8	7.6	5.1	-0.3	-0.8	5.1	-0.3	-1.2	-2.1	9.1	5.4
XLE <i>Energy</i>	0.0	-10.5	-3.5	-2.8	10.2	9.1	-0.9	2.7	-1.3	1.7	3.7	-2.8	16.0	3.8
XLF <i>Financials</i>	2.0	-2.4	-8.9	-2.9	7.3	3.6	1.9	-3.3	3.5	3.9	-2.9	2.3	3.5	3.1
XLI <i>Industrials</i>	0.9	-2.6	-5.7	4.3	7.0	1.2	-0.4	0.7	3.6	1.0	0.2	-2.0	9.6	7.8
XLK <i>Technology</i>	0.7	-2.1	-3.7	-0.7	8.8	-5.0	4.9	-1.4	7.1	1.2	2.1	-0.8	12.3	10.7
XLP <i>Staples</i>	-0.9	2.9	0.5	0.3	4.7	-1.4	0.7	5.4	-0.8	-0.6	-1.5	-0.8	6.4	8.5
XLU <i>Utilities</i>	-2.1	2.1	4.9	1.9	8.0	-2.4	1.5	7.6	-0.7	-5.5	0.4	0.9	17.0	16.9
XLV <i>Healthcare</i>	-0.3	1.7	-7.7	-0.4	2.7	3.0	2.2	0.9	4.9	-3.2	-1.5	-6.6	-6.4	-5.0
XLY <i>Discretionary</i>	-0.2	-2.8	-5.2	0.5	6.7	0.1	0.1	-1.1	4.6	-1.4	-0.3	-2.4	1.0	-2.1
XME <i>Metals & Mining</i>	-6.6	-6.1	-7.0	20.0	23.1	20.3	-10.5	11.2	18.9	-11.5	3.6	-4.0	72.2	51.0
													0.0	
Int'l Equity														
DXJ <i>Japan</i>	3.2	-4.2	-5.0	-12.5	5.0	-6.0	6.8	-10.7	5.0	6.1	-0.6	5.2	-8.8	-9.8
EEM <i>Emerging Mkts</i>	-2.5	-3.8	-5.0	-0.8	13.0	0.4	-3.7	4.6	5.4	0.9	2.5	-0.8	16.3	9.0
EFA <i>Developed Int'l</i>	-0.8	-0.8	-5.5	-3.3	6.6	2.2	-0.1	-2.4	4.0	0.5	1.3	-2.2	0.5	-1.0
EPP <i>Asia Pac ex Japan</i>	-0.5	1.2	-7.8	-0.6	11.6	1.9	-2.2	2.0	6.5	-2.4	3.8	-3.0	8.7	9.4
FXI <i>China</i>	-2.1	-3.7	-11.6	-3.0	11.5	-0.7	0.4	2.4	3.5	4.6	2.6	-3.0	5.2	-0.9
ILF <i>Latin America</i>	-3.5	-5.7	-3.2	1.6	20.7	7.8	-13.0	11.9	5.8	1.3	-0.5	10.8	47.4	34.1
VGK <i>Europe</i>	-1.3	-2.6	-5.6	-3.2	7.0	2.8	-0.5	-4.0	3.5	0.7	0.8	-3.5	-2.8	-6.5
													0.0	
Fixed Income														
AGG <i>Aggregate Bond</i>	-0.4	-0.2	1.2	0.9	0.9	0.3	0.0	1.9	0.6	-0.2	0.1	-0.8	4.8	4.2
EMB <i>EM Bonds</i>	0.3	-1.5	0.0	1.8	3.3	1.6	-0.2	4.2	1.4	1.3	0.4	-1.7	12.5	11.1
HYG <i>US High Yield</i>	-2.5	-2.0	-1.6	1.5	2.5	3.1	0.2	1.8	1.3	2.0	1.1	-1.0	11.3	6.4
LQD <i>US IG Corporate</i>	-0.2	-1.1	0.1	1.1	3.6	1.6	-0.5	3.1	1.3	0.2	-0.3	-1.5	8.8	7.4
TLT <i>US 20+ Treasury</i>	-0.9	-0.3	5.6	3.1	-0.1	-0.7	0.8	6.9	2.1	-1.0	-1.5	-4.4	10.7	9.4
													0.0	
Currencies														
UUP <i>US Dollar</i>	3.3	-1.7	0.8	-1.4	-3.7	-1.8	3.1	0.0	-0.7	0.6	-0.6	3.0	-0.9	0.7
FXE <i>Euro</i>	-4.0	2.8	-0.4	0.4	4.5	0.6	-2.9	-0.4	0.7	-0.3	0.6	-2.4	0.3	-0.9
FXJ <i>Yen</i>	-2.0	2.4	-0.8	7.3	0.2	5.7	-3.9	7.1	1.2	-1.4	2.0	-3.3	14.1	14.5
Dispersion	9.9	13.4	17.2	32.5	26.8	26.3	19.8	22.6	20.2	17.6	6.7	17.4	80.9	60.8
<i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i>														
Global Diversified Benchmark														
	-0.9	-3.0	-3.7	1.6	9.2	3.5	-1.6	3.7	4.4	-0.6	0.9	-1.9	20.4	11.5

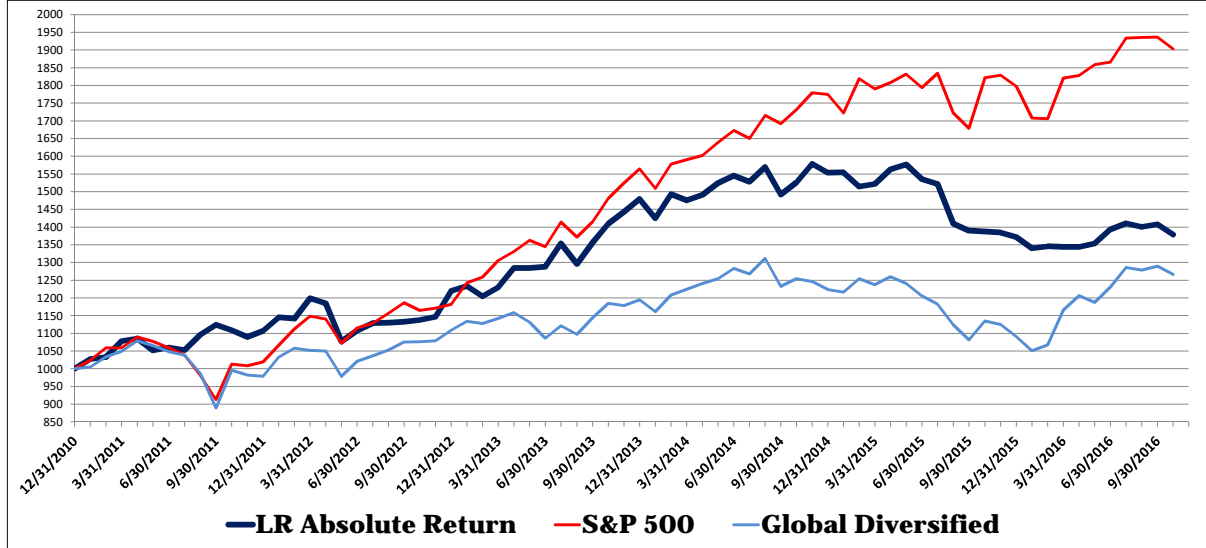
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LongRun Absolute Return Strategy - Oct 2016



The LongRun Absolute Return Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a wide range of equity and fixed income investments. Absolute Return is designed to outperform benchmark returns over a full market cycle with significantly less risk. ETFs are ranked using a combination of factors favoring positive momentum and low volatility. The Absolute Return portfolio is generally invested in the four ETFs at the top of a monthly ranking but may allocate as much as 100% to cash in severe bear market conditions. This version of Absolute Return was introduced in August 2013 and has completely replaced the initial version.

Growth of \$1,000 Since January 1, 2011



Return Data for the Strategy (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	<i>2.7</i>	<i>0.5</i>	<i>4.4</i>	<i>0.8</i>	<i>-3.1</i>	<i>0.8</i>	<i>-0.7</i>	<i>4.2</i>	<i>2.6</i>	<i>-1.4</i>	<i>-1.7</i>	<i>1.6</i>	10.7
2012	<i>3.4</i>	<i>-0.3</i>	<i>5.0</i>	<i>-1.2</i>	<i>-9.1</i>	<i>2.8</i>	<i>1.9</i>	<i>0.0</i>	<i>0.3</i>	<i>0.5</i>	<i>0.8</i>	<i>6.3</i>	10.2
2013	<i>1.1</i>	<i>-2.4</i>	<i>2.1</i>	<i>4.4</i>	<i>0.0</i>	<i>0.3</i>	<i>5.1</i>	<i>-4.2</i>	<i>4.7</i>	<i>4.0</i>	<i>2.4</i>	<i>2.5</i>	21.3
2014	<i>-3.7</i>	<i>4.8</i>	<i>-1.2</i>	<i>1.1</i>	<i>2.2</i>	<i>1.4</i>	<i>-1.1</i>	<i>2.7</i>	<i>-5.0</i>	<i>2.3</i>	<i>3.4</i>	<i>-1.6</i>	5.0
2015	<i>0.1</i>	<i>-2.5</i>	<i>0.5</i>	<i>2.7</i>	<i>0.9</i>	<i>-2.7</i>	<i>-0.9</i>	<i>-7.4</i>	<i>-1.4</i>	<i>-0.2</i>	<i>-0.2</i>	<i>-1.0</i>	-11.7
2016	<i>-2.3</i>	<i>0.4</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.7</i>	<i>3.0</i>	<i>1.2</i>	<i>-0.7</i>	<i>0.5</i>	<i>-2.1</i>			0.5

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Absolute Return	S&P 500	Global Diversified
Year-to-Date Return	0.5%	5.9%	16.0%
Trailing 1-Year Return	-0.8%	13.3%	17.0%
Trailing 3-Year Cume Return	1.7%	34.5%	10.7%
Annualized Return from 2/1/03*	13.8%	8.8%	10.1%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

October 2016		November 2016	
EEM	Emerging Mkt Stocks	EEM	Emerging Mkt Stocks
EFA	Developed Intl Stocks	EMB	Emerging Mkt Bonds
HYG	US High Yield Bonds	HYG	US High Yield Bonds
IWM	US Small Cap Stocks	XLE	Energy Sector

Management and Operational Details

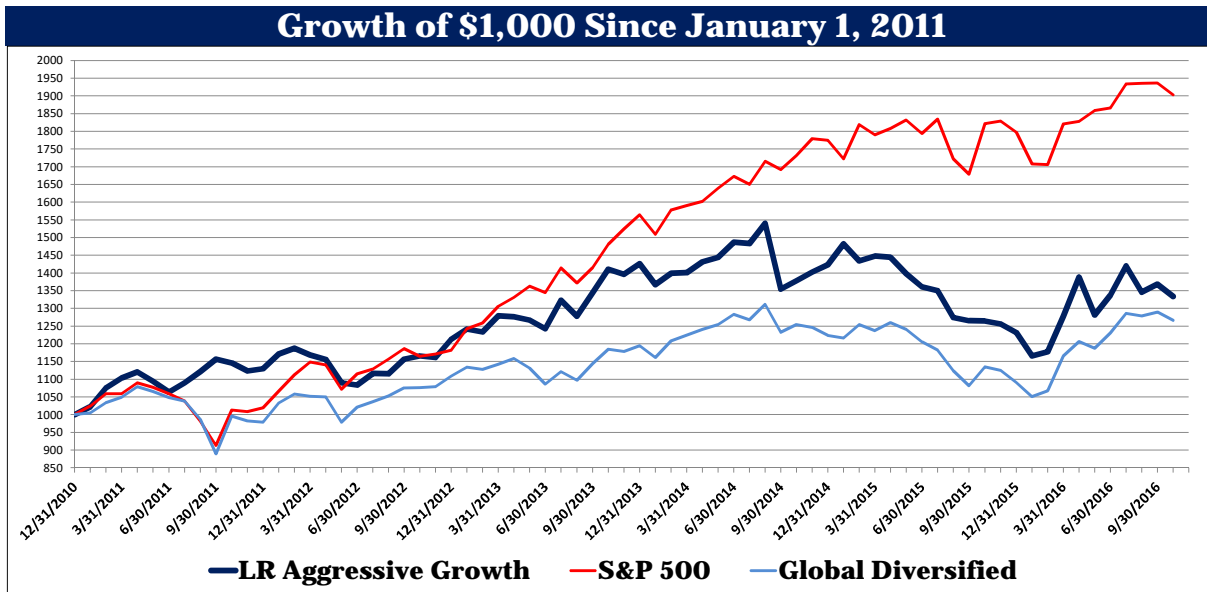
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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LongRun Aggressive Growth Strategy - Oct 2016



The LongRun Aggressive Growth Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of equity and fixed income investments. Aggressive Growth is designed to significantly outperform benchmark returns over a full market cycle with less risk. ETFs are ranked based on total return for a relatively short lookback period as the single quantitative factor. The Aggressive Growth portfolio is always invested in the top three ETFs from the monthly ranking. In our research, this methodology demonstrated a higher return/higher risk profile than the Absolute Return strategy.



Return Data for the Strategy (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	2.2	5.2	2.6	1.6	-2.4	-2.8	2.4	2.9	3.2	-0.9	-2.0	0.6	13.0
2012	3.7	1.3	-1.6	-1.0	-5.7	-0.6	3.1	-0.1	3.7	0.8	-0.4	4.4	7.3
2013	2.4	-0.6	3.6	-0.2	-0.7	-1.9	6.5	-3.4	5.1	5.0	-1.0	2.1	17.5
2014	-4.1	2.3	0.1	2.2	0.9	2.9	-0.3	3.9	-12.0	1.7	1.8	1.5	-0.1
2015	4.1	-3.2	1.0	-0.3	-3.2	-2.7	-0.8	-5.6	-0.7	-0.1	-0.6	-1.9	-13.5
2016	-5.4	1.0	8.5	8.7	-7.7	4.4	6.2	-5.2	1.7	-2.5			8.3

Returns for all periods represent client composite results.

	Aggressive Growth	S&P 500	Global Diversified
Year-to-Date Return	8.3%	5.9%	16.0%
Trailing 1-Year Return	5.5%	13.3%	17.0%
Trailing 3-Year Cume Return	-0.7%	34.5%	10.7%
Annualized Return from 2/1/03*	16.6%	8.8%	10.1%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

October 2016		November 2016	
EEM	Emerging Mkt Stocks	EEM	Emerging Mkt Stocks
EPP	Asia Pacific ex-Japan Stocks	ILF	Latin America
IJR	US Small Cap Stocks	XLE	Energy Sector

Management and Operational Details

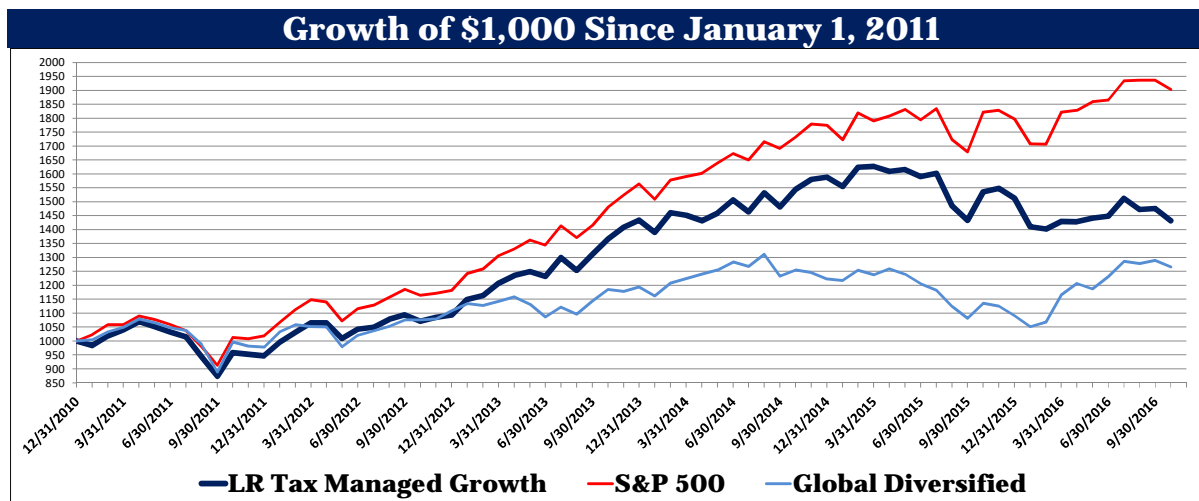
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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LongRun Tax Managed Growth Strategy - Oct 2016



The LongRun Tax-Managed Growth Strategy ("TMG") is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of primarily equity and fixed income investments. TMG is designed to outperform benchmark returns over a full market cycle with less risk while also being highly tax efficient. ETFs are ranked based on an assessment of relative strength versus each of the 36 ETFs in the model. The strategy generally owns the top 8 ETFs subject to a buffer and may also allocate as much as 100% to cash in adverse market conditions. Rankings are reviewed daily and holdings adjusted as ranking changes dictate.



Return Data for the Strategy (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	-1.7	3.5	2.2	2.9	-1.7	-1.9	-1.7	-7.1	-7.3	9.7	-0.6	-0.6	-5.3
2012	5.1	3.6	3.4	0.0	-5.3	3.3	0.6	2.8	1.5	-2.1	1.3	0.8	15.5
2013	5.1	1.2	3.9	2.2	1.2	-1.4	5.6	-3.6	4.5	4.2	3.2	1.8	31.2
2014	-3.1	5.1	-0.6	-1.4	1.9	3.3	-2.8	4.6	-3.3	4.2	2.3	0.5	10.7
2015	-2.1	4.4	0.2	-1.1	0.4	-1.6	0.7	-7.3	-3.5	7.1	0.8	-2.3	-4.7
2016	-6.7	-0.6	1.9	0.0	0.9	0.4	4.5	-2.7	0.2	-3.0			-5.3

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Tax-Managed Growth	S&P 500	Global Diversified
Year-to-Date Return	-5.3%	5.9%	16.0%
Trailing 1-Year Return	-0.1%	13.3%	17.0%
Trailing 3-Year Cume Return	9.2%	34.5%	10.7%
Annualized Return from 2/1/03*	12.8%	8.8%	10.1%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Latest Prior and Current Month

October 2016		November 2016	
GLD	SPDR Gold Shares	ILF	Latin America
IEF	7-10 Year Treasury Bonds	QQQ	NASDAQ 100
QQQ	NASDAQ 100	TLT	20+ Year Treasury Bonds
TLT	20+ Year Treasury Bonds	XLP	US Consumer Staples
XLP	US Consumer Staples	XLJ	US Technology
XLV	US Healthcare	XLV	US Healthcare
XLY	US Consumer Discretionary	XLY	US Consumer Discretionary
XME	Metals & Mining	XME	Metals & Mining

Holdings shown reflect the portfolio at the start of the given month; changes are infrequent but may occur intra-month

Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

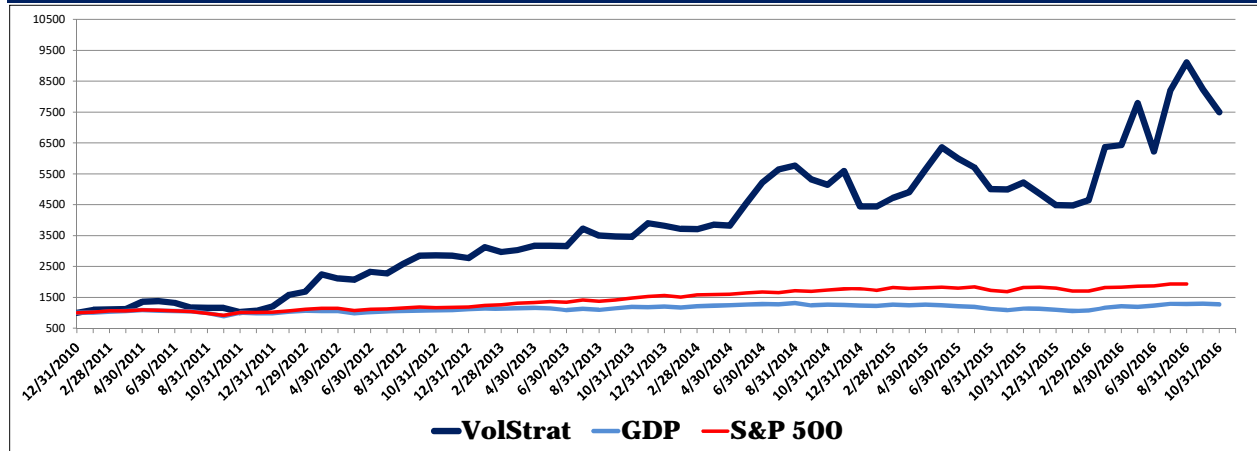
IMPORTANT DISCLOSURES: This document is not an offering to sell or the solicitation of an offering to purchase an interest in any of the separate account strategies offered by LongRun Capital Management LLC. S&P 500 benchmark represents the total return (including dividends) of the SPDR S&P 500 ETF (SPY). Global Diversified benchmark is the total return of an equal-weight portfolio consisting of 14 ETFs allocated approximately 70% equity (40% US and 30% international) and 30% fixed income. Investment returns shown for LongRun strategies represent actual client composite performance net of fees and expenses for certain periods and estimated net returns derived from a statistical backtest for other periods. The rule-sets used to determine month-to-month holdings of the LongRun strategy were applied consistently for the backtest period. Results of the complete backtest are available upon request. Underlying data has been obtained from sources believed to be reliable and LongRun is not responsible for errors or omissions in that data. Performance of individual separately managed accounts may vary from composite performance. Past performance (estimated or actual) is not necessarily indicative and is not a guarantee of future performance. Information regarding LongRun's management fees and the value of assets included in the composite results is available upon request. In addition, LongRun's disclosure document, Form ADV Part 2A, is available online at www.adviserinfo.sec.gov or upon request.

LongRun Volatility Strategy - Oct 2016



The LongRun Volatility Strategy (VolStrat) is designed to produce aggressive returns with a low correlation to broad equity market indices. VolStrat uses a systematic approach to investing in volatility through exchange traded products that are either long or short VIX futures and may also take a neutral position in cash. VolStrat methodology is the product of extensive research into the behavior of equity market volatility and securities designed to harvest returns from that behavior. Backtest results and recent live trading demonstrate attractive long-term returns but also periods of very high volatility. Investors must have a high tolerance for exposure to significant drawdowns in the value of their investment. VolStrat produces short-term gains and losses and is therefore most appropriate for tax-advantaged structures such as retirement accounts, charitable entities and private insurance vehicles.

Growth of \$1,000 Since 12/31/2010



Return Data for the Strategy (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	9.7	0.9	0.3	21.9	1.1	-3.1	-12.5	-0.2	-0.2	-11.5	4.0	13.9	21.1
2012	30.7	6.3	33.4	-6.0	-2.2	12.7	-2.1	13.5	9.9	0.5	-0.4	-2.3	129.2
2013	12.5	-4.9	2.2	4.3	-0.2	-0.2	18.0	-6.0	-1.0	-0.1	12.7	-2.0	37.7
2014	-3.0	-0.2	4.1	-0.9	18.7	15.3	8.1	2.1	-7.6	-3.5	8.8	-20.5	16.3
2015	-0.2	6.3	4.1	15.0	12.6	-5.8	-4.7	-12.3	-0.2	4.6	-6.9	-7.8	0.8
2016	-0.2	3.8	37.2	1.0	21.1	-20.2	31.8	11.2	-9.6	-9.1			66.9

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	VolStrat	S&P 500	Global Diversified
Year-to-Date Return	67.4%	5.9%	16.0%
Trailing 1-Year Return	50.2%	13.3%	17.0%
Annualized Return from August 2008*	58.2%	8.8%	4.6%

* Start date of VolStrat backtest

Fund Holdings for Prior Month and Current Month

October 2016

XIV Inverse VIX
CASH

November 2016

Cash*

*Represents current positioning of LongRun Volatility Strategy that is subject to change at any time

Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of assets invested in the strategy (subject to future increases)
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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